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C O N F I D E N T I A L SECTION 01 OF 03 SANAA 000726

SIPDIS

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TAGS: PREL ECON FAID PARM PHUM KMPI YM DEMOCRATIC REFORM

SUBJECT: NEA/ARP DEPUTY DIRECTOR WILLIAMS 3/13-15 VISIT TO YEMEN: ECONOMIC DEVELOPMENT, MCA, MEPI, REGIONAL REFORM AND DEMOCRACY

REF: A. SANAA 672

¶B. SECSTATE 56282

¶C. SECSTATE 53932

¶D. SECSTATE 50441

Classified By: AGMISENHEIMER, For Reasons 1.5 (b) and (d).

¶11. (C) Summary: During his 3/13-15 visit to Yemen, Deputy Director of NEA/ARP Tom Williams discussed the Greater Middle East Initiative (GMEI) and Millennium Challenge Account (MCA) with the Deputy Foreign Minister, who critiqued the MCA process and indicators. The DFM also noted his primary concern with the GMEI involves linkages with the Israel-Palestine conflict, and outlined Yemen's limited progress on Arab League reform. CDA delivered reftel b points on Iraq during the meeting. Williams visited USG education and cultural development projects outside Sana'a, where progress was illustrated by a U.S. funded school that once needed a roof now requesting internet access. He also discussed progress on Yemen's democratic reforms with parliamentarians, journalists and civic leaders, and met with business community members, who are concerned that economic reforms will raise prices and increase taxes (ref a).

¶12. (C) Williams discussed increasing U.S.-Yemen development assistance with Deputy Prime Minister and Minister of Planning and International Cooperation (MOPIC), who commented positively on increased bilateral cooperation. CDA signed a U.S.-Yemen MOU in the amount of \$1.1 million, whereby USG agreed to provide technical assistance and equipment to support the 2004 national census. MOPIC officials are also interested in increasing public awareness of USG development efforts and the ROYG's economic reform package. End Summary.

#### US-YEMEN DEVELOPMENT ASSISTANCE: A MODEL OF COOPERATION

¶13. (C) Williams, along with CDA, USAID Representative, Pol/Econoff and PD Officer, met with Deputy Prime Minister and Minister of Planning and International Cooperation (MOPIC) Ahmed Sofan, Nabil Shaiban, Director General for International Cooperation with Europe and the Americas and Technical Advisor Jala Yacoub on 3/15. DPM Sofan and Shaiban both commented positively on the momentum of U.S.-Yemen development cooperation, and the need for U.S. support of pending ROYG economic reforms. Sofan's comments on the economic reform package debate in Parliament and the need for economic, judicial and civil service reforms to improve Yemen's chances of qualifying for the Millennium Challenge Account (MCA) are reported in detail in reftel a.

¶14. (U) Remarking that Yemen is "hungry for more" engagement, Shaiban said he would like to embark, along with the Embassy, on a public awareness campaign to promote U.S. development assistance in Yemen. Shaiban, who freelances as a reporter and documentary producer, commented that the public strongly associates U.S. assistance with the military and the war on terror; he intends to make a short documentary for Yemeni television on the subject. He also mentioned that 90 percent of U.S. development aid helps the Poverty Reduction Strategy (PRS), and that he wants to do a public presentation on the socio-economic impact of the assistance. When asked how projects are prioritized, Shaiban responded that rural roads are the priority because they are "the lifelines of development" and the key to inter-community economic activity, i.e., girls can get to school, people can get to hospitals, and goods can get to market.

¶15. (C) On 3/14, Williams met with members of the business community, who are worried that economic reforms will raise prices and who did not know the details of the new tax proposals (ref a).

#### THE PRESIDENT'S VISION FOR REGIONAL REFORM: ISRAEL-PALESTINE ISSUE MUST BE ADDRESSED

¶16. (C) Williams discussed U.S. reform concepts with Deputy Foreign Minister Noman, who asked for more detailed information. Williams and CDA responded to Noman's queries with points from reftels c and d, including the fact that during a recent visit to the region U/S Grossman made favorable references to the Sanaa Declaration.

¶17. (C) Noman claimed that the lack of a link between the United States' reform ideas and the Arab-Israeli Conflict

raises an issue of credibility. He stated that there is a misperception and everyone is suspicious of what is coming out of DC. He suggested that the issue of Palestine "holds the Arab world hostage," and said people must be convinced of U.S. goodwill and, therefore, any reform idea needs to take the Palestinian issue into account. While saying he understands that reform should not wait until the problem is solved, Noman commented favorably on French and German initiatives that address this point.

**¶18. (C)** Responding that credibility is not the issue, Williams reiterated that the regional reform concept is still being formulated, and that reform and efforts to address the Palestinian problem can move forward simultaneously. CDA added that the U.S. would like to see a resolution at the next Arab League Summit that provides a statement in support of reform.

MCA: YEMEN CRITIQUES INDICATORS AS ECONOMIC REFORMS LOOM ON THE HORIZON

**¶19. (C)** DFM Noman raised Millennium Challenge Account (MCA), remarking that candidates should be encouraged (see also ref a), and reported that the Yemeni ambassador in Washington told him that he attended a briefing at which he was told ten countries have already been chosen and Yemen would not qualify. Pol/econoff noted that there may have been an "unofficial tally" of the countries, but no formal decisions had been made. Explaining that this is a new process, both Williams and CDA encouraged Yemen to focus on maintaining momentum on reforms as the best means of advancing its candidacy.

**¶10. (C)** Noman questioned the MCA indicators and complained that Yemen does not see the reports and analysis that are the basis of MCA ranking. Pol/econoff pointed out that Freedom House had been to Yemen, and that Yemen had advanced in the democracy rating compiled by Freedom House. Noman said that MCA was a tough hurdle and Yemen needs assistance to meet the standards. He also expressed concern regarding Yemen's pending economic reform package and its impact on the populace, and said MCA would "ease the pain" of such reforms.

Williams noted that FM Al-Qirbi had made similar comments about the tough hurdle MCA qualification represented in his recent meeting with the Secretary, who had responded that the point of the challenge was to provide incentives for governments to undertake the necessary tough reforms - which is why it is called a challenge.

ARAB LEAGUE REFORM: YEMEN'S LIMITED SUCCESS

**¶11. (C)** Turning to Arab League reform, DFM Noman said the most important objective the Yemenis achieved at the recent Arab League Ministerial in Egypt was to change the decision-making vehicle to a majority vote, rather than consensus. He added that some did not like the Yemeni proposal for an Arab League Parliament, and Yemen's Arab Security Council proposal "was not liked by others." He said a committee would be formed after the Tunisia Summit that would take a year to review all the proposals for overhaul of the Arab League. Noman commented that the Saudi/Egypt/Syria proposal was more a statement of principles than a call for reform.

**¶12. (C)** During the meeting with Noman, CDA delivered relevant reftel b points on transition and progress towards a democratic and prosperous Iraq. Noman favorably received the information and subsequently requested that the USG provide the compendium in Arabic.

DEMOCRACY: PROGRESS, BUT POLITICAL WILL FOR REFORM NOT ALWAYS STRONG

**¶13. (U)** At 3/14 lunch, Williams and select members of parliament (MPs), journalists, and civil society discussed Yemen's democratic experiment, particularly the need for parliamentary reform. Several MP's from both the majority political party (GPC) and the main opposition party (Islah) noted the lack of knowledge and skills of many MPs who need training, and requested assistance for Parliament. Attendees commented that reform needs to continue, but political will is not always strong and donor assistance and encouragement would help. Looking at press freedom and case of Saed Thabet -- the MPs went to the court in support of Thabet -- one MP said that while press freedom in Yemen is better than elsewhere in the region, there is still a long way to go.

USG DEVELOPMENT PROMOTES EDUCATION AND PRESERVES CULTURE

**¶14. (U)** On 3/15, Williams visited a girls' school in Amran built with money from USDA's 416(b) program. (Note: The school opened in 2003, at a final cost of \$244,333. End Note). Officials told Williams that, since its opening, enrollment has risen over 200 percent due largely to the fact that it is a single-sex school and more families have allowed their daughters to attend. Students at the school were

enthusiastic and eager, stating that they want computers and internet access to learn about the world. The same day, Williams met with women at the Yemen Adult Life Skills and Literacy Education Project in Amran to discuss their activities and the women also stated that they would like to have computers. Williams' final development site visit was to an infrastructure project in Thula, a nearby village, where USG assistance repaved the town's historical main entrance.

#### ASSISTANCE TO THE YEMENI CENSUS

¶15. (U) CDA, AID Representative, DPM, and the Chairman of the Central Statistics Organization, Dr. Amin Muheeddin, signed a "Memorandum of Understanding Between The Republic of Yemen, Central Statistical Organization, and the United States of America, Agency for International Development, for Cooperation to Support the 2004 Census of Population and the Decentralization of Statistical Information." Comment: USG is the lead donor for Yemen's national census, which will provide data essential for the ROYG to achieve its poverty reduction and decentralization goals and to improve development planning, economic growth, civil registration, elections, good governance, democratization, and investment. USG assistance to the ROYG Central Statistical Organization will be provided by the U.S. Bureau of the Census with ESF funding programmed by USAID/Yemen. End Comment.

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